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Tab B25X1

Comments on DOE Energy Alternatives/ANGTS

1. With respect to the LNG options presented in the DOE paper, the magnitude of potential Algerian LNG supplies that would become available to the West European market as a result of US policy initiatives is overstated. Algeria's failure to construct additional LNG plants means that present capacity is insufficient to meet current contract commitments. Even if presently constructed plants reach full operational capacity of 1.1 trillion cubic feet per year, current contracts, including the idle El Paso contract, will total almost 1.3 tcf/yr. Operational capacity is likely to average only .9 tcf/yr. Nonetheless, Algeria will be able to supply an additional 1 tcf/yr of gas by the late 1980s with construction of additional pipelines.

2. We believe Nigeria, for reasons similar to Algeria, will go ahead with an LNG project. Lack of US participation and concern over market prospects in Europe, however, probably will cause Lagos to scale down the project.

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3. The other issues presented, Norwegian gas, coal, nuclear, and Saudi oil are clearly non-starters. A potential consideration and one which has antagonized the Dutch already via the rumor circuit is to encourage the Netherlands to extend gas contracts to selected customers (W. Germany, France, and Belgium) for a few more years. Dutch reserves have increased slightly in the past two years and sales have fallen both domestically and in the export market. Such a tactic would delay the immediacy for Soviet gas that some countries now feel. The Dutch, however, have shown no inclination yet that they are willing to relax measures to conserve gas for domestic needs.

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4. In addition to comments on ANGTS, the development of chilled gas technology and far north gas reserves probably will not create greater supplies for Western Europe before the mid-1990s.

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